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SUBJECT: ECONOMIC CRISIS AFFECTS SLOVENIA'S ECONOMIC
MIGRATION TREND

Summary

1. (SBU) In response to the global financial crisis, most Slovene companies implemented stricter hiring policies in the first half of 2009, resulting in a reduction of work permits and the elimination of the government's prolongation policy for existing permits. These changes reduced employment opportunities for many foreign workers. In light of the troubling data on Slovenian economic trends and especially the growing unemployment rate, the Slovenian Government in January adopted a decree reducing the number of work-permits for foreign citizens. Foreign workers usually add approximately 10.0% to the active work population of Slovenia. The economic crisis, however, has hit the construction and manufacturing sectors, which have the largest percentage of foreign workers, the hardest. The overall registered unemployment rate in Slovenia increased from 6.6% in April 2008 to 8.8% in April, 2009. The issue of foreign workers has thus become a hot political topic with opposition parties searching for greater protection and an increase of opportunity for Slovene workers. END SUMMARY

Rising Unemployment and Decreased Work Demand Increases Pressure on Slovenian Government

2. (SBU) Although unemployment remains relatively low in Slovenia, it is rising and putting political pressure on the government. The Employment Service of Slovenia (ESS) reports that registered unemployment rose from 66,239 at the end of 2008 to 86,481 at the end of June, 2009 exceeding the level at the end of 2006. While data on registered unemployment shows that the unemployment growth trend is slowing down, according to the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia's (IMAD) forecast, Slovenia could be facing up to 100,000 unemployed persons by the end of 2009, the same level that it was at in the end of 2002. ESS reports that in the first quarter of 2009, 19,610 new work-permits were issued which is 9% less compared to 2008 data. Demand for work from employers in the first six months of this year is down 37.3% compared to the same period last year. ESS reports that there were 11,964 job vacancies open in April, 2009, which is the lowest figure this year, and down 44.7% compared to April, 2008. The government announced in July 2009 that it was drafting new legislation on employment that will also address foreign workers.

Nationalities and Sector breakdown of Foreign Workforce in Slovenia

3. (SBU) ESS reports that the industries affected most by the global financial crisis are construction, manufacturing and transport services, the same industries predominantly employing foreign workers in Slovenia. A breakdown of valid work-permits by industry in May, 2009, shows that 50%

of foreign workers were employed in construction, 12% in manufacturing, 6% in transport and warehousing and 4% in catering. An analysis of valid work-permits by workers, nationality shows that 95% workers came from ex-Yugoslavian territories: 48% of the work-permits were issued to applicants from Bosnia and Herzegovina, followed by Serbia and Montenegro (16%) and Kosovo and Macedonia (10% each). Taking into account the growing unemployment rate in Slovenia and currently valid work-permits, demand for foreign workers could be down by 50% in 2009. This means that approximately 22,500 workers from Bosnia, 12,000 from Serbia and Montenegro, and 4,500 from Macedonia and Croatia could lose their jobs, and close to that number of families could lose their primary source of revenue. Foreign workers without employment are expected to return to their home country.

Reducing Work-Permits

¶4. (SBU) The GoS adopted a decree that limits the issuance of new work-permits from 24,600 in 2008 to 24,000 in 2009. The 24,000 does not include EU, EA, or Swiss foreigners and the count varies from month to month as work permits expire. The decrees changes the structure of quotas, however; work-permits for the employment of foreign workers were decreased from 20,900 in 2008 to a maximum of 11,000 in 2009, while the number of work-permits for seasonal hiring was increased from 8,000 to 10,300 according to the Official Gazette of R. Slovenia. At the end of May 2009, the GoS issued a total of 30,598 new work permits, but only 11,000 of these are subject to quota restriction. The current provisions of the law includes various exceptions, which make the actual number of issued work permits

difficult to regulate.

Comment

¶5. (SBU) The opposition parties' criticism that labor legislation does not protect Slovenian workers sufficiently appears to ring true in this time of economic crisis. Nobody is advocating kicking out foreign workers, but they want to ensure that Slovenes get any newly created jobs. If unemployment rises to more than 100,000, then the possibility for labor unrest and protests would rise.

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